

# Hunter Smith & Davis

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PLEASE RESPOND TO:  
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AMEP/Z 80669

Chairman Ron Jones  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

ATTN: Sharla Dillon, Dockets & Records Manager

RE: Application of Appalachian Power Company  
TRA Docket No. 05-00313

Dear Chairman Jones:

This letter contains Appalachian Power Company's (Appalachian) responses to the questions posed in Mr. Carlos Black's electronic mail dated December 27, 2005 and December 29, 2005. Per Mr. Black's instructions, Appalachian is filing the original and thirteen (13) copies of this letter with you.

1. Please clarify and/or inform the TRA if any Tennessee assets will be pledged in the financing transactions for which Appalachian is currently seeking approval. In the Data Response dated December 2, 2005, Appalachian indicated that Appalachian and Kingsport Power are separate entities, although both are subsidiaries of American Electric Power Company. Appalachian states that previously it has sought the TRA's approval for financing (transactions) because it owned Tennessee transmission assets that were pledged as collateral.

Per Appalachian's response to question 4 in the Data Response (Will any Tennessee assets [Kingsport Power Company] be pledged as collateral) Appalachian responded by stating that no assets owned by Kingsport Power Company will be pledged. Please

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provide clarification as to whether (any) Tennessee assets will be pledged in the financing transactions for which Appalachian is currently seeking approval. If Tennessee assets are being pledged, specify the particular assets pledged.

**Response:**

No assets owned by Kingsport will be pledged as collateral for any debt issued by Appalachian as a result of the TRA's approval for Appalachian's current financing application. Appalachian owns a small amount of transmission assets in Tennessee, which, along with its other assets, are currently pledged under its first mortgage bonds. Tennessee assets, which are owned by Appalachian, could be pledged as collateral for any new first mortgage bonds consistent with the current pledge under the mortgage. Although Appalachian is seeking this authorization, it has not issued first mortgage bonds since 1996.

2. In addition to providing clarification of specific and/or particular Tennessee assets pledged by Appalachian in the financing transactions for which it is seeking the TRA's approval, please provide the applicable interest rates (for each pledged Tennessee asset).

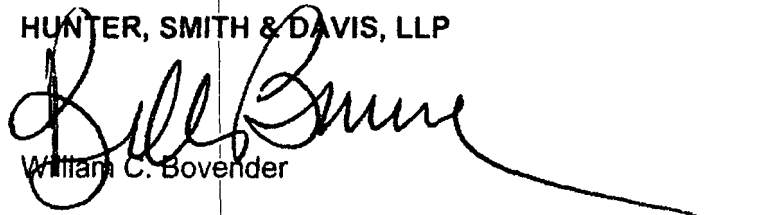
**Response:**

The interest rates are not set until issuance and cannot be determined at this time.

We trust this fully responds to your inquiries. However, if you have further questions, please do not hesitate to contact the writer.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

cc: William E. Johnson, Esq.  
James R. Bacha, Esq.  
Thomas L. Stephens  
Barry Thomas  
Matt Fransen  
Renee Hawkins  
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